

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Union	County Isabella
Fiscal Year End December 31, 2005	Opinion Date April 24, 2006	Date Audit Report Submitted to State June 30, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  4. ☒ ☐ The local unit has adopted a budget for all required funds.
  5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  11. ☒ ☐ The local unit is free of repeated comments from previous years.
  12. ☒ ☐ The audit opinion is UNQUALIFIED.
  13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo PC CPAs		Telephone Number 989.631.6060	
Street Address 6018 Eastman Avenue		City Midland	State Zip MI 48640
Authorizing CPA Signature 		Printed Name Michael R. Zimmerman	License Number 1101018243

**Charter Township of Union  
Isabella County, Michigan**

**Annual Financial Statements  
and  
Auditors' Report  
December 31, 2005**

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**Charter Township of Union  
List of Elected and Appointed Officials  
December 31, 2005**

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**TOWNSHIP OFFICIALS**

**Supervisor**

James Collin

**Clerk**

Margie Henry

**Treasurer**

Deborah Supka

**Trustees**

Russell Alwood

Jim Horton, II

Marian McDonald

John Verwey

**Superintendent**

Gwen Plowman



6018 Eastman Avenue  
Midland, MI 48640  
Phone (989) 631-6060 / (800) 701-3574  
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## **Independent Auditors' Report**

To the Township Officials  
Charter Township of Union  
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of Charter Township of Union as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of Charter Township of Union as of December 31, 2004, were audited by other auditors whose report dated April 19, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of Charter Township of Union as of December 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Union basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

April 24, 2006  
Midland, Michigan

# Charter Township of Union

## Managements' Discussion and Analysis

### Year Ended December 31, 2005

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Charter Township of Union (the "Township"), Michigan is in its second year of implementation of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Managements' Discussion and Analysis, a requirement of GASB 34, is intended to be the Township's managements' discussion and analysis of the financial results for the fiscal year ended December 31, 2005.

#### Overview of Financial Statements

The annual report consists of four parts: managements' discussion and analysis (this section), the basic financial statements, the required supplementary information, and other supplemental information. Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

#### Government-wide Financial Statements

The Government-wide statements provide a perspective of the Township as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two Government-wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental fund current financial resources (short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the Township is financially stronger or weaker as a result of the year's activities.

#### Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

#### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance).

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance



# Charter Township of Union Managements' Discussion and Analysis Year Ended December 31, 2005

sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, fire protection, and construction code enforcement funds, each of which are considered to be a major fund.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison schedules have been provided herein to demonstrate compliance with those budgets.

## Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the Township's major funds.

## **SUMMARY OF NET ASSETS:**

### **Township's Net Assets**

The following summarizes the Township's net assets at fiscal year ended December 31, 2005 and 2004:

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current assets	\$ 2,615,796	\$ 2,312,342	\$ 6,680,102	\$ 6,737,289	\$ 9,295,898	\$ 9,049,631
Capital assets	<u>1,058,218</u>	<u>1,088,399</u>	<u>20,927,176</u>	<u>21,124,018</u>	<u>21,985,394</u>	<u>22,212,417</u>
Total assets	3,674,014	3,400,741	27,607,278	27,861,307	31,281,292	31,262,048
<b>Liabilities</b>						
Current liabilities	7,650	110,071	150,256	224,668	157,906	334,739
Long-term liabilities	<u>78,211</u>	<u>94,322</u>	<u>10,956,724</u>	<u>11,585,783</u>	<u>11,034,935</u>	<u>11,680,105</u>
Total liabilities	<u>85,861</u>	<u>204,393</u>	<u>11,106,980</u>	<u>11,810,451</u>	<u>11,192,841</u>	<u>12,014,844</u>
<b>Net assets</b>						
Investment in capital assets, net of related debt	985,531	994,077	9,970,452	9,538,235	10,955,983	10,532,312
Restricted	-	-	343,360	74,562	343,360	74,562
Unrestricted	<u>2,602,622</u>	<u>2,202,271</u>	<u>6,186,486</u>	<u>6,438,059</u>	<u>8,789,108</u>	<u>8,640,330</u>
Total net assets	<u>\$ 3,588,153</u>	<u>\$ 3,196,348</u>	<u>\$ 16,500,298</u>	<u>\$ 16,050,856</u>	<u>\$ 20,088,451</u>	<u>\$ 19,247,204</u>

During the fiscal year ended December 31, 2005, the Township's total net assets increased by \$826,793. Of this amount the governmental activities showed an increase of \$377,351 and the business type activities an increase of \$449,442.

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of Charter Township of Union, assets exceeded liabilities by \$20,088,451.

# Charter Township of Union Managements' Discussion and Analysis Year Ended December 31, 2005

A portion of the Township's net assets (55%) reflects its investment in capital assets (e.g. land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## Township's Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 148,251	\$ 216,181	\$ 2,885,722	\$ 3,204,150	\$ 3,033,973	\$ 3,420,331
General revenues						
Property taxes	774,221	707,048	-	-	774,221	707,048
State shared revenue	540,875	551,499	-	-	540,875	551,499
Unrestricted investment earnings	30,447	9,790	152,447	116,825	182,894	126,615
Miscellaneous	10,531	10,198	18,383	11,381	28,914	21,579
Total revenues	<u>1,504,325</u>	<u>1,494,716</u>	<u>3,056,552</u>	<u>3,332,356</u>	<u>4,560,877</u>	<u>4,827,072</u>
<b>Expenses</b>						
General government	499,911	417,690	-	-	499,911	417,690
Public safety	427,994	480,981	-	-	427,994	480,981
Public works	199,430	188,675	-	-	199,430	188,675
Community and economic development	17,840	20,041	-	-	17,840	20,041
Recreation and culture	61,184	74,388	-	-	61,184	74,388
Interest on long term debt	5,442	5,668	-	-	5,442	5,668
Water	-	-	714,681	788,735	714,681	788,735
Sewer	-	-	1,744,178	1,801,584	1,744,178	1,801,584
Total expenses	<u>1,211,801</u>	<u>1,187,443</u>	<u>2,458,859</u>	<u>2,590,319</u>	<u>3,670,660</u>	<u>3,777,762</u>
Change in net assets before transfers	292,524	307,273	597,693	742,037	890,217	1,049,310
Transfers	<u>84,827</u>	<u>161,782</u>	<u>-</u>	<u>-</u>	<u>84,827</u>	<u>161,782</u>
Change in net assets	<u>\$ 377,351</u>	<u>\$ 469,055</u>	<u>\$ 597,693</u>	<u>\$ 742,037</u>	<u>\$ 975,044</u>	<u>\$ 1,211,092</u>
Ending net assets	<u>\$ 3,588,153</u>	<u>\$ 3,196,348</u>	<u>\$ 16,500,298</u>	<u>\$ 16,050,856</u>	<u>\$ 20,088,451</u>	<u>\$ 19,247,204</u>

## Governmental Activities

The Township's total governmental revenue increased by \$9,612 from last fiscal year. This was primarily attributed to an increase in property taxes and interest revenue offset by decreases in charges for services and State revenue sharing. Expenses increased by approximately \$24,000. General government expenses increased by \$82,000 due to roof repairs, township census, increases in health insurance, purchase of an early warning siren and participation in the MMEDC. Public Safety decreased by \$53,000, due to decreased costs in enforcement. Public Works increased \$11,000 due to road improvements, and Recreation and Culture decreased by \$13,000 due to fewer repairs. The remainder of the difference is attributable to decrease in operating costs.

## Business Type Activities

Charges for services decreased by approximately \$318,000 which was due to a decrease in connection fees of \$650,000 which was partially offset by increased charges and miscellaneous fee increases of \$253,000.

## Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,610,000 an increase of \$333,000 in comparison with the prior year. Approximately 99% of this amount (\$2,590,000) constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been used to prepay expenses for the next fiscal year.

# Charter Township of Union Managements' Discussion and Analysis Year Ended December 31, 2005

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,797,631. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 287% of total general fund expenditures.

The fund balance of the General Fund increased by \$304,000 during the current fiscal year due to lower spending on capital improvements as compared to the prior year.

The fund balance of the Fire Fund increased by \$99,000 during the current fiscal year, which is attributable to an increase in taxes due to growth in the Township.

The fund balance of the Construction Code Enforcement Fund decreased by \$8,400 during the current fiscal year, which was due to decreased demand for building permits and a slight increase in costs.

The net assets of the sewer fund decreased by \$27,000 during the year which was due to a \$620,000 decrease in connection fees which was offset by increase user charges and lower interest payments on outstanding debt.

The next assets of the water fund increased by \$477,000 during the year as charges for services and expenses remained consistent with the prior year.

## General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget

amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Differences between the original and final amended budgets were relatively minor.

## Capital Assets and Debt Administration

### Capital Assets

The Township's investment in capital assets for its governmental activities as of December 31, 2005, amounted to \$1,058,218 (net of accumulated depreciation). Investment in capital assets for its business type activities as of December 31, 2005, amounted to \$20,927,176 (net of accumulated depreciation). Investment in capital assets included land, buildings, equipment, and sewer and water systems.

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Capital assets not being depreciated						
Land	\$ 160,650	\$ 160,650	\$ 275,780	275,780	\$ 436,430	\$ 436,430
Construction in progress	-	-	-	408,890	-	408,890
Capital assets being depreciated						
Land improvements	113,241	121,205	9,786	10,893	123,027	132,098
Buildings and improvements	501,361	502,042	100,765	107,043	602,126	609,085
Equipment	124,657	139,783	253,979	281,564	378,636	421,347
Vehicles	134,133	145,312	43,206	65,215	177,339	210,527
Office Equipment	24,176	19,407	-	-	24,176	19,407
Sewer system	-	-	6,762,252	6,616,412	6,762,252	6,616,412
Sewer treatment plant	-	-	7,586,844	7,755,441	7,586,844	7,755,441
Water sytem	-	-	5,894,564	5,602,780	5,894,564	5,602,780
Capital assets	<u>\$ 1,058,218</u>	<u>\$ 1,088,399</u>	<u>\$ 20,927,176</u>	<u>\$ 21,124,018</u>	<u>\$ 21,985,394</u>	<u>\$ 22,212,417</u>

The Township's Investment in capital assets included land, buildings, and equipment.

**Charter Township of Union  
Managements' Discussion and Analysis  
Year Ended December 31, 2005**

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**Long-term Debt**

At the end of the current fiscal year, the Township had total long-term debt outstanding of \$11,029,411.

	Governmental Activities		Business Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Special assessment debt with governmental commitment	\$ -	\$ -	\$ 645,000	\$ 770,000	\$ 645,000	\$ 770,000
Revenue bonds	-	-	-	-	-	-
Capital leases	<u>72,687</u>	<u>94,322</u>	<u>10,385,000</u>	<u>10,900,000</u>	<u>10,457,687</u>	<u>10,994,322</u>
	<u>\$ 72,687</u>	<u>\$ 94,322</u>	<u>\$ 11,030,000</u>	<u>\$ 11,670,000</u>	<u>\$ 11,102,687</u>	<u>\$ 11,764,322</u>

No new debt was issued during the year and \$661,635 was retired.

**Economic Factors and Next Year's Budget**

The following factors were considered in preparing the Township's budget for the 2006 fiscal year:

Revenues are expected to be consistent in 2006 as compared to 2005, with increases expected in 2007 due to significant growth in the Southeast portion of the township. Increases in spending are planned for roads, water tower painting, updating water wells and new pumps

**Request for Information**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township office.

**Charter Township of Union**  
**Statement of Net Assets**  
**December 31, 2005**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 2,010,639	\$ 4,005,751	\$ 6,016,390	\$ 847,742
Receivables				
Taxes	351,635	-	351,635	842,257
Customers	-	616,823	616,823	-
Special assessments	-	1,080,156	1,080,156	348,678
Interest	-	-	-	28,243
Other	5,362	-	5,362	-
Due from other units of government	176,034	-	176,034	-
Due from other funds	48,976	250	49,226	-
Due from component unit	497	-	497	-
Inventories	-	12,652	12,652	-
Prepaid items	22,653	67,642	90,295	2,000
Deferred charge	-	553,468	553,468	64,517
Restricted assets				
Cash and cash equivalents	-	343,360	343,360	283,719
Capital assets, net	1,058,218	20,927,176	21,985,394	-
Total assets	3,674,014	27,607,278	31,281,292	2,417,156
<b>Liabilities</b>				
Accounts payable	4,272	36,648	40,920	3,216
Accrued and other liabilities	3,378	110,613	113,991	112,180
Due to primary government	-	-	-	497
Due to other funds	-	362	362	-
Deferred revenue	-	2,633	2,633	463,826
Noncurrent liabilities				
Compensated absences	5,524	-	5,524	-
Due within one year	22,883	1,015,000	1,037,883	334,388
Due in more than one year	49,804	9,941,724	9,991,528	1,076,126
Total liabilities	85,861	11,106,980	11,192,841	1,990,233
<b>Net Assets</b>				
Invested in capital assets, net of related debt	985,531	9,970,452	10,955,983	-
Restricted for:				
Debt	-	343,360	343,360	283,719
Unrestricted	2,602,622	6,186,486	8,789,108	143,204
Total net assets	\$ 3,588,153	\$ 16,500,298	\$ 20,088,451	\$ 426,923

See Accompanying Notes to Financial Statements

**Charter Township of Union**  
**Statement of Activities**  
**Year Ended December 31, 2005**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental activities								
General government	\$ 499,911	\$ 47,672	\$ -	\$ -	\$ (452,239)	\$ -	\$ (452,239)	\$ -
Public safety	427,994	100,579	-	-	(327,415)	-	(327,415)	-
Public works	199,430	-	-	-	(199,430)	-	(199,430)	-
Community and economic development	17,840	-	-	-	(17,840)	-	(17,840)	-
Recreation and culture	61,184	-	-	-	(61,184)	-	(61,184)	-
Interest on long-term debt	5,442	-	-	-	(5,442)	-	(5,442)	-
Total governmental activities	1,211,801	148,251	-	-	(1,063,550)	-	(1,063,550)	-
Business-type activities								
Sewer	1,744,178	1,640,255	-	-	-	(103,923)	(103,923)	-
Water	714,681	1,097,216	-	-	-	382,535	382,535	-
Total business-type activities	2,458,859	2,737,471	-	-	-	278,612	278,612	-
Total primary government	<u>\$ 3,670,660</u>	<u>\$ 2,885,722</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,063,550)</u>	<u>\$ 278,612</u>	<u>\$ (784,938)</u>	<u>\$ -</u>
<b>Component unit</b>								
East Downtown Development Authority	\$ 439,153	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (439,153)
West Downtown Development Authority	275,373	-	-	-	-	-	-	(275,373)
Total component units	<u>\$ 714,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (714,526)</u>
General revenues								
Property taxes					\$ 774,221	\$ -	\$ 774,221	\$ 986,254
Special Assessments					-	-	-	39,232
State shared revenue					540,875	-	540,875	-
Unrestricted investment earnings					30,447	152,447	182,894	41,855
Miscellaneous					95,358	18,383	113,741	92
Total general revenues and transfers					1,440,901	170,830	1,611,731	1,067,433
Change in net assets					377,351	449,442	826,793	352,907
Net assets - beginning of year					3,196,348	16,050,856	19,247,204	176,269
Prior period adjustment					14,454	-	14,454	(102,253)
Net assets - end of year					\$ 3,588,153	\$ 16,500,298	\$ 20,088,451	\$ 426,923

See Accompanying Notes to Financial Statements

**Charter Township of Union**  
**Governmental Funds**  
**Balance Sheet**  
**December 31, 2005**

	General	Fire	Construction Code Enforcement	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,395,863	\$ 430,377	\$ 184,399	\$ 2,010,639
Receivables				
Taxes	151,647	199,988	-	351,635
Other	5,349	13	-	5,362
Due from other units of government	176,034	-	-	176,034
Due from other funds	48,976	-	-	48,976
Due from component unit	389	-	108	497
Prepaid items	21,504	-	1,149	22,653
	<u>21,504</u>	<u>-</u>	<u>1,149</u>	<u>22,653</u>
Total assets	<u>\$ 1,799,762</u>	<u>\$ 630,378</u>	<u>\$ 185,656</u>	<u>\$ 2,615,796</u>
<b>Liabilities</b>				
Accounts payable	\$ 2,131	\$ -	\$ 2,141	\$ 4,272
Total liabilities	<u>2,131</u>	<u>-</u>	<u>2,141</u>	<u>4,272</u>
<b>Fund Balances</b>				
Reserved for:				
Prepaid items	21,504	-	-	21,504
Unreserved, reported in:				
General fund	1,776,127	-	-	1,776,127
Special revenue funds	-	630,378	183,515	813,893
Total fund balances	<u>1,797,631</u>	<u>630,378</u>	<u>183,515</u>	<u>2,611,524</u>
Total liabilities and fund balances	<u>\$ 1,799,762</u>	<u>\$ 630,378</u>	<u>\$ 185,656</u>	<u>\$ 2,615,796</u>

See Accompanying Notes to Financial Statements

**Charter Township of Union**  
**Governmental Funds**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Assets of Governmental Activities**  
**December 31, 2005**

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<b>Total fund balances for governmental funds</b>	\$ 2,611,524
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,058,218
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	(72,687)
Charges deferred to future period in the governmental activities are not reported in the funds	<u>(8,902)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 3,588,153</u></u>



**Charter Township of Union**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended December 31, 2005**

	General	Fire	Construction Code Enforcement	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 330,258	\$ 443,963	\$ -	\$ 774,221
Licenses and permits	45,072	-	100,579	145,651
State revenue sharing	540,875	-	-	540,875
Interest income	25,568	4,879	-	30,447
Rental income	2,600	-	-	2,600
Other revenue	10,523	84,835	-	95,358
	<u>954,896</u>	<u>533,677</u>	<u>100,579</u>	<u>1,589,152</u>
Total revenues				
<b>Expenditures</b>				
Current				
General government	457,397	-	-	457,397
Public safety	5,687	-	-	5,687
Public works	108,288	-	91,142	199,430
Planning and zoning	-	-	17,840	17,840
Fire protection	-	407,751	-	407,751
Recreation and culture	43,167	-	-	43,167
Other functions	12,621	-	-	12,621
Capital outlay	23,383	-	-	23,383
Debt service				
Principal retirement	-	21,635	-	21,635
Interest and fiscal charges	-	5,442	-	5,442
	<u>650,543</u>	<u>434,828</u>	<u>108,982</u>	<u>1,194,353</u>
Total expenditures				

See Accompanying Notes to Financial Statements

**Charter Township of Union**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended December 31, 2005**

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	<u>General</u>	<u>Fire</u>	<u>Construction Code Enforcement</u>	<u>Total Governmental Funds</u>
Net change in fund balance	304,353	98,849	(8,403)	394,799
Fund balance - beginning of year	<u>1,493,278</u>	<u>531,529</u>	<u>191,918</u>	<u>2,216,725</u>
Fund balance - end of year	<u>\$ 1,797,631</u>	<u>\$ 630,378</u>	<u>\$ 183,515</u>	<u>\$ 2,611,524</u>

See Accompanying Notes to Financial Statements

**Charter Township of Union**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended December 31, 2005**

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**Net change in fund balances - Total governmental funds** \$ 394,799

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(53,564)
Capital outlay	23,383

Expenses are recorded when incurred in the statement of activities

Accrued interest	(3,378)
Compensated absences	(5,524)

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>21,635</u>
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<b>Change in net assets of governmental activities</b>	<b><u>\$ 377,351</u></b>
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**Charter Township of Union**  
**Proprietary Funds**  
**Statement of Net Assets**  
**December 31, 2005**

	Enterprise Funds		
	Sewer	Water	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 2,120,656	\$ 1,885,095	\$ 4,005,751
Receivables			
Customers	382,651	234,172	616,823
Special assessments	409,799	670,357	1,080,156
Due from other funds	250	-	250
Inventories	-	12,652	12,652
Prepaid items	48,728	18,914	67,642
Total current assets	<u>2,962,084</u>	<u>2,821,190</u>	<u>5,783,274</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	223,360	120,000	343,360
Deferred charge	542,584	10,884	553,468
Capital assets, net	<u>14,841,502</u>	<u>6,085,674</u>	<u>20,927,176</u>
Total noncurrent assets	<u>15,607,446</u>	<u>6,216,558</u>	<u>21,824,004</u>
Total assets	<u>18,569,530</u>	<u>9,037,748</u>	<u>27,607,278</u>

See Accompanying Notes to Financial Statements

**Charter Township of Union**  
**Proprietary Funds**  
**Statement of Net Assets**  
**December 31, 2005**

	Enterprise Funds		
	Sewer	Water	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	32,107	4,541	36,648
Accrued and other liabilities	83,516	27,097	110,613
Due to other funds	112	250	362
Deferred revenue	-	2,633	2,633
Current portion of noncurrent liabilities	508,400	506,600	1,015,000
Total current liabilities	624,135	541,121	1,165,256
Noncurrent liabilities			
Long-term debt, net of current portion	8,919,479	1,022,245	9,941,724
Total liabilities	9,543,614	1,563,366	11,106,980
<b>Net Assets</b>			
Invested in capital assets, net of related debt	5,413,623	4,556,829	9,970,452
Restricted for:			
Debt	223,360	120,000	343,360
Unrestricted	3,388,933	2,797,553	6,186,486
Total net assets	\$ 9,025,916	\$ 7,474,382	\$ 16,500,298

See Accompanying Notes to Financial Statements

**Charter Township of Union**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Year Ended December 31, 2005**

	Enterprise Funds		
	Sewer	Water	Total
<b>Operating revenues</b>			
Customer fees	\$ 1,387,063	\$ 1,065,419	\$ 2,452,482
Connection fees	253,192	1,440	254,632
Rental income	-	30,357	30,357
Other revenue	620	17,763	18,383
Total operating revenues	1,640,875	1,114,979	2,755,854
<b>Operating expenses</b>			
Personnel services	362,297	204,254	566,551
Supplies	73,045	8,751	81,796
Contractual services	144,937	29,377	174,314
Utilities	108,238	65,289	173,527
Repairs and maintenance	112,968	31,436	144,404
Other expenses	38,897	96,897	135,794
Depreciation	427,250	180,367	607,617
Total operating expenses	1,267,632	616,371	1,884,003
Operating income	373,243	498,608	871,851
<b>Nonoperating revenues (expenses)</b>			
Interest income	75,646	76,801	152,447
Interest expense	(476,546)	(98,310)	(574,856)
Total nonoperating revenue (expenses)	(400,900)	(21,509)	(422,409)
Change in net assets	(27,657)	477,099	449,442
Net assets - beginning of year	9,053,573	6,997,283	16,050,856
Net assets - end of year	\$ 9,025,916	\$ 7,474,382	\$ 16,500,298

See Accompanying Notes to Financial Statements

**Charter Township of Union**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended December 31, 2005**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 1,693,551	\$ 1,219,160	\$ 2,912,711
Receipts from other funds	-	250	250
Payments to other funds	(138)	-	(138)
Payments to suppliers	(536,732)	(254,388)	(791,120)
Payments to employees	<u>(362,297)</u>	<u>(204,254)</u>	<u>(566,551)</u>
Net cash provided by operating activities	<u>794,384</u>	<u>760,768</u>	<u>1,555,152</u>
<b>Cash flows from capital and related financing activities</b>			
Purchases/construction of capital assets	(68,485)	(342,290)	(410,775)
Principal and interest paid on long-term debt	<u>(918,597)</u>	<u>(245,774)</u>	<u>(1,164,371)</u>
Net cash used by capital and related financing activities	<u>(987,082)</u>	<u>(588,064)</u>	<u>(1,575,146)</u>
<b>Cash flows from investing activities</b>			
Interest received	<u>75,646</u>	<u>76,801</u>	<u>152,447</u>
Net cash provided by investing activities	<u>75,646</u>	<u>76,801</u>	<u>152,447</u>
Net increase (decrease) in cash and cash equivalents	(117,052)	249,505	132,453
Cash and cash equivalents - beginning of year	<u>2,461,068</u>	<u>1,755,590</u>	<u>4,216,658</u>
Cash and cash equivalents - end of year	<u>\$ 2,344,016</u>	<u>\$ 2,005,095</u>	<u>\$ 4,349,111</u>

**Charter Township of Union**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**Year Ended December 31, 2005**

	Business-type Activities - Enterprise Funds		
	Sewer	Water	Total
<b>Reconciliation of operating loss to net cash provided (used) by operating activities</b>			
Operating income	\$ 373,243	\$ 498,608	\$ 871,851
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	427,250	180,367	607,617
Changes in assets and liabilities			
Receivables (net)	52,676	106,655	159,331
Due from other funds	(250)	-	(250)
Inventories	-	(5,107)	(5,107)
Prepaid items	(3,257)	(621)	(3,878)
Accounts payable	23,969	(9,486)	14,483
Accrued and other liabilities	(79,359)	(12,531)	(91,890)
Due to other funds	112	250	362
Deferred revenue	-	2,633	2,633
Net cash provided by operating activities	<u>\$ 794,384</u>	<u>\$ 760,768</u>	<u>\$ 1,555,152</u>



**Charter Township of Union**  
**Fiduciary Funds**  
**Statement of Assets and Liabilities**  
**December 31, 2005**

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	<u>Payroll</u>	<u>Current Tax Collection</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 47,767	\$ 1,391	\$ 49,158
Due from other funds	<u>112</u>	<u>-</u>	<u>112</u>
 Total assets	 <u>\$ 47,879</u>	 <u>\$ 1,391</u>	 <u>\$ 49,270</u>
 <b>Liabilities</b>			
Accounts payable	\$ 111	\$ -	\$ 111
Due to other funds	47,768	1,208	48,976
Due to other units of government	<u>-</u>	<u>183</u>	<u>183</u>
 Total liabilities	 <u>\$ 47,879</u>	 <u>\$ 1,391</u>	 <u>\$ 49,270</u>

See Accompanying Notes to Financial Statements

**Charter Township of Union**  
**Combining Statement of Major Component Units**  
**Statement of Net Assets**  
**December 31, 2005**

	East Downtown Development Authority	West Downtown Development Authority	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 314,900	\$ 532,842	\$ 847,742
Receivables			
Taxes	558,861	283,396	842,257
Special assessments	-	348,678	348,678
Interest	-	28,243	28,243
Prepaid items	1,000	1,000	2,000
Deferred Charges	13,594	50,923	64,517
Restricted assets			
Cash and cash equivalents	<u>98,780</u>	<u>184,939</u>	<u>283,719</u>
Total assets	<u>987,135</u>	<u>1,430,021</u>	<u>2,417,156</u>
<b>Liabilities</b>			
Accounts payable	1,044	2,172	3,216
Accrued and other liabilities	14,450	97,730	112,180
Due to primary government	398	99	497
Deferred revenue	95,199	368,627	463,826
Noncurrent liabilities			
Due within one year	245,000	89,388	334,388
Due in more than one year	<u>240,403</u>	<u>835,723</u>	<u>1,076,126</u>
Total liabilities	<u>596,494</u>	<u>1,393,739</u>	<u>1,990,233</u>
<b>Net assets</b>			
Restricted for:			
Debt	98,780	184,939	283,719
Unrestricted	<u>291,861</u>	<u>(148,657)</u>	<u>143,204</u>
Total net assets	<u>\$ 390,641</u>	<u>\$ 36,282</u>	<u>\$ 426,923</u>

See Accompanying Notes to Financial Statements

**Charter Township of Union**  
**Combining Statement of Major Component Units**  
**Statement of Activities**  
**Year Ended December 31, 2005**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	East	West	
					Downtown Development Authority	Downtown Development Authority	
<b>East Downtown Development Authority</b>							
Community and economic development	\$ 267,191	\$ -	\$ -	\$ -	\$ (267,191)	\$ -	\$ (267,191)
Fire protection	59,827	-	-	-	(59,827)	-	(59,827)
Interest and fiscal charges	112,135	-	-	-	(112,135)	-	(112,135)
<b>West Downtown Development Authority</b>							
Community and economic development	20,870	-	-	-	-	(20,870)	(20,870)
Fire protection	25,000	-	-	-	-	(25,000)	(25,000)
Interest and fiscal charges	229,503	-	-	-	-	(229,503)	(229,503)
						-	
Total component units	<u>\$ 714,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(439,153)	(275,373)	(714,526)
General revenues							
Property taxes					651,212	335,042	986,254
Special assessments					-	39,232	39,232
Interest income					3,928	37,927	41,855
Miscellaneous					87	5	92
Total general revenues and transfers					<u>655,227</u>	<u>412,206</u>	<u>1,067,433</u>
Change in net assets					216,074	136,833	352,907
Net assets - beginning of year					204,697	(28,428)	176,269
Prior period adjustment					<u>(30,130)</u>	<u>(72,123)</u>	<u>(102,253)</u>
Net assets - end of year					<u>\$ 390,641</u>	<u>\$ 36,282</u>	<u>\$ 426,923</u>

See Accompanying Notes to Financial Statements

**Charter Township of Union**  
**Notes to Financial Statements**  
**December 31, 2005**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Charter Township of Union is governed by an elected seven-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

**Discretely Presented Component Units** – The component units' column in the entity wide financial statements includes the financial data of the East and West Downtown Development Authorities (DDA). The members of the Governing Board of the DDA's are appointed by the Township's board. The budgets and expenditures of the DDA's must be approved by the Township board. The Township also has the ability to significantly influence operations of the DDA's. Each DDA Component Unit consists of a Special Revenue Fund and one or more Debt Service Funds. The DDA's do not issue any other form of financial statements except as contained in the Charter Township of Union annual financial statements.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate

*component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Charter Township of Union**  
**Notes to Financial Statements**  
**December 31, 2005**

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Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for resources used to provide fire services to residents of the Township and the surrounding area.

The Construction Code Enforcement Fund accounts for building and zoning permit and inspection activities.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the Township reports the following fund types:

The Agency Fund accounts for assets held by the Township acting as an agent for individuals and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

# Charter Township of Union

## Notes to Financial Statements

### December 31, 2005

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Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **Assets, Liabilities, and Net Assets or Equity**

**Deposits** – Cash and cash equivalents are considered to be cash on hand, demand deposits and money market accounts.

**Receivables and payables** – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities

are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Personal property taxes receivable is shown net of an allowance for uncollectible. Property taxes are levied as of January 1 on property values assessed as of the prior December 31. The lien on the property occurs when the property taxes are levied (January 1).

The 2005 taxable valuation of the government totaled \$245,565,888 on which ad valorem taxes consisted of 1.00 mill for general operating purposes and 2.1762 mills for fire operating purposes. This resulted in \$203,992 for operating expenses and \$443,963 for fire fund operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

**Inventories and Prepaid Items** – The Township follows the policy of not recording inventories in governmental funds. The effect of not recording inventories is considered to be immaterial. Inventories of a material amount in the proprietary fund types follow the consumption method and are reported at cost using the first in, first out flow method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted assets** – Certain proceeds of enterprise fund revenue bonds and general obligation bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**Charter Township of Union**  
**Notes to Financial Statements**  
**December 31, 2005**

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Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements	10 to 20 years
Buildings	40 to 50 years
Building improvements	15 to 50 years
Water and sewer lines	40 to 50 years
Vehicles	5 to 10 years
Machinery and equipment	5 to 20 years

Compensated absences – The Township policy allows employees to accumulate earned but unused vacation pay benefits. The government-wide and proprietary statements accrue all vacation benefits as they are earned. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of employment.

Long-term obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or

proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

### **Comparative Data**

Comparative data is not included in the Township's financial statements.

## **NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **Budgetary Information**

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles

# Charter Township of Union

## Notes to Financial Statements

### December 31, 2005

generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law requires the Township to have its budget in place by January 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year. The Township amended its budget at various times during the year.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

### NOTE 3 - DEPOSITS

At year end the government's deposits were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents
Governmental activities	\$ 2,010,639	\$ -
Business-type activities	<u>4,005,751</u>	<u>343,360</u>
Total primary government	6,016,390	343,360
Fiduciary funds	49,158	-
Component unit	<u>847,742</u>	<u>-</u>
Total	<u>\$ 6,913,290</u>	<u>\$ 343,360</u>

The breakdown between deposits is as follows:

	Primary Government	Fiduciary Funds	Component Unit
Bank deposits (checking and savings accounts, money market)	\$ 6,359,350	\$ 49,158	\$ 847,742
Petty cash and cash on hand	<u>400</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,359,750</u>	<u>\$ 49,158</u>	<u>\$ 847,742</u>

*Credit risk* – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

*Concentration of credit risk* – The Township has no policy that would limit the amount that may be invested with any one issuer.

*Custodial credit risk* - deposits – In the case of deposits, this is the risk that in the event of bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for



**Charter Township of Union**  
**Notes to Financial Statements**  
**December 31, 2005**

custodial credit risk. As of year end, \$10,037,345 of the Township's bank balance of \$10,337,438 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Acquisitions	Sales & Dispositions	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 160,650	\$ -	\$ -	\$ 160,650
Capital assets being depreciated				
Land improvements	224,257	-	-	224,257
Buildings & improvements	691,992	12,260	-	704,252
Equipment	251,000	-	-	251,000
Vehicles	223,555	-	-	223,555
Office equipment	71,261	11,123	26,000	56,384
Total capital assets being depreciated	<u>1,462,065</u>	<u>23,383</u>	<u>26,000</u>	<u>1,459,448</u>
Less accumulated depreciation for				
Land improvements	103,052	7,963	-	111,015
Building & improvements	189,950	12,942	-	202,892
Equipment	111,216	15,127	-	126,343
Vehicles	78,244	11,178	-	89,422
Office equipment	51,854	6,354	26,000	32,208
Total accumulated depreciation	<u>534,316</u>	<u>53,564</u>	<u>26,000</u>	<u>561,880</u>
Net capital assets being depreciated	<u>927,749</u>	<u>(30,181)</u>	<u>-</u>	<u>897,568</u>
Governmental activities capital assets, net	<u>\$ 1,088,399</u>	<u>\$ (30,181)</u>	<u>\$ -</u>	<u>\$ 1,058,218</u>

	Beginning Balance	Acquisitions	Sales & Dispositions	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 275,780	\$ -	\$ -	\$ 275,780
Capital assets being depreciated				
Land improvements	17,776	-	-	17,776
Building & improvements	129,076	-	-	129,076
Equipment	523,406	6,666	-	530,072
Vehicles	227,321	-	4,618	222,703
Water system	7,547,010	444,842	-	7,991,852
Sewer system	10,614,313	368,157	-	10,982,470
Waste water treatment plant	8,429,827	-	-	8,429,827
Construction in progress	408,890	-	408,890	-
Total capital assets being depreciated	<u>27,897,619</u>	<u>819,665</u>	<u>413,508</u>	<u>28,303,776</u>
Less accumulated depreciation for				
Land improvements	6,883	1,107	-	7,990
Buildings & improvements	22,032	6,280	-	28,312
Equipment	241,841	34,251	-	276,092
Vehicles	162,107	22,012	4,618	179,501
Water system	1,944,229	153,056	-	2,097,285
Sewer system	3,997,903	222,314	-	4,220,217
Waste water treatment plant	674,386	168,597	-	842,983
Total accumulated depreciation	<u>7,049,381</u>	<u>607,617</u>	<u>4,618</u>	<u>7,652,380</u>
Net capital assets being depreciated, net	<u>\$21,124,018</u>	<u>\$ 212,048</u>	<u>\$ 408,890</u>	<u>\$ 20,927,176</u>

**Charter Township of Union**  
**Notes to Financial Statements**  
**December 31, 2005**

Depreciation expense was charged to programs of the primary government as follows:

**Governmental activities**

General government	\$ 24,369
Recreation and culture	18,017
Public safety	<u>11,178</u>
Total governmental activities	<u>53,564</u>

**Business-type activities**

Sewer	427,250
Water	<u>180,367</u>
Total business-type activities	<u>607,617</u>
Total primary government	<u>\$ 661,181</u>

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

**Due to/from Other Funds**

Receivable Fund	Payable Fund	Amount
General	Payroll	\$ 47,768
General	Current Tax Collection	1,208
Sewer Fund	Water Fund	250
Payroll	Sewer Fund	<u>112</u>
Total		<u>\$ 49,338</u>

**Due to/from Primary Government and Component Units**

Receivable Entity	Payable Entity	Amount
Primary government	Component unit	
Construction Code Enforcement	EDDA	\$ 109
General	EDDA	289
General	WDDA	<u>99</u>
Total		<u>\$ 497</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

Funds Transferred From Component Unit	Funds Transferred To	Amount
EDDA	Primary government - Fire Fund	\$ 59,827
EDDA	Component unit - EDDA-Debt Retirement Fund	363,258
WDDA	Component unit - WDDA-Debt Retirement Fund	145,000
WDDA	Primary government - Fire Fund	<u>25,000</u>
		<u>\$ 593,085</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

**Charter Township of Union**  
**Notes to Financial Statements**  
**December 31, 2005**

**NOTE 6 - LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital projects. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Fire Truck Capital Lease	\$ 201,482	2008	5.78%	\$22,883-\$25,600	<u>\$ 94,322</u>	<u>\$ -</u>	<u>\$ 21,635</u>	<u>\$ 72,687</u>	<u>\$ 22,883</u>
<b>Business-type activities</b>									
Bonds payable									
Revenue bonds									
1990 Water Supply System and Refinancing	\$ 1,300,000	2018	5.27%	\$45,000-\$105,000	\$ 985,000	\$ -	\$ 45,000	\$ 940,000	\$ 45,000
1999 Wastewater Treatment Plant Project Bonds	\$ 1,850,000	2007	5.00%	\$330,000	645,000	-	315,000	330,000	330,000
Less Deferred Discounts					(12,857)	6,429	-	(6,428)	-
2001 Wastewater Treatment Plant Refunding Bonds	\$ 7,605,000	2021	4%-5.1%	\$50,000-\$250,000	7,350,000	-	50,000	7,300,000	50,000
Less Deferred Discounts					(54,881)	3,260	-	(51,621)	-
2004 Sanitary Sewer System Refunding Bonds	\$ 1,920,000	2019	2%-4.5%	\$105,000-\$165,000	1,920,000	-	105,000	1,815,000	105,000
Less Deferred Discounts					(19,290)	1,286	-	(18,004)	-
Special assessment obligations									
1987 Special Assessment Bonds Series I	\$ 600,000	2007	6.7%-9.5%	\$30,000-\$35,000	95,000	-	30,000	65,000	30,000
1988 Special Assessment Bonds Series I	\$ 695,000	2008	7%-9.8%	\$110,000-\$35,000	145,000	-	35,000	110,000	35,000
1988 Special Assessment Bonds Series II	\$ 455,000	2008	7%-10%	\$25,000	95,000	-	20,000	75,000	25,000
1993 Water Special Assessment Limited Tax Refunding Bonds	\$ 915,000	2016	3%-5.7%	\$40,000-\$35,000	435,000	-	40,000	395,000	395,000
Less Deferred Discounts					2,811	-	34	2,777	-
Total business-type activities					<u>\$ 11,585,783</u>	<u>\$ 10,975</u>	<u>\$ 640,034</u>	<u>\$ 10,956,724</u>	<u>\$ 1,015,000</u>

**Charter Township of Union**  
**Notes to Financial Statements**  
**December 31, 2005**

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Component units</b>									
General obligation bonds									
1989 EDDA Series I	\$ 995,000	2007	6.9%-9.6%	\$75,000	\$ 225,000	\$ -	\$ 75,000	\$ 150,000	\$ 75,000
Less Deferred Discounts					(2,366)	789	-	(1,577)	-
1989 EDDA Series II	\$ 995,000	2007	6.9%-7	\$75,000	225,000	-	75,000	150,000	75,000
Less Deferred Discounts					(2,199)	733	-	(1,466)	-
1990 EDDA Series I	\$ 790,000	2007	6%-7.2%	\$65,000	195,000	-	65,000	130,000	65,000
Less Deferred Discounts					(1,843)	614	-	(1,229)	-
1991 EDDA Series I	\$ 260,000	2007	6.2%-8%	\$30,000	90,000	-	30,000	60,000	30,000
Less Deferred Discounts					(487)	162	-	(325)	-
1995 EDDA Series I	\$ 249,372	2005	4.55%-5.35%	\$0	44,196	-	44,196	-	-
Less Deferred Discounts					(250)	250	-	-	-
1991 WDDA Series II	\$ 949,982	2018	6.3%-7.25%	\$49,388-\$31,130	572,672	-	50,211	522,461	49,388
Less Deferred Discounts					(13,300)	950	-	(12,350)	-
Revenue bonds									
1991 Water/Sewer Special									
Assesment Bond	\$ 905,000	2016	6.3%-7.25%	\$40,000-\$35,000	455,000	-	40,000	415,000	40,000
Total component units					<u>\$ 1,786,423</u>	<u>\$ 3,498</u>	<u>\$ 379,407</u>	<u>\$ 1,410,514</u>	<u>\$ 334,388</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activites		Component Units		
	Principal	Interest	Principal	Interest	Year Ending December 31,	Principal	Interest
2006	\$ 22,883	\$ 4,194	\$ 660,000	\$ 529,889	2006	\$ 334,388	\$ 137,532
2007	24,204	2,874	680,000	492,542	2007	328,700	139,468
2008	25,600	1,477	660,000	458,432	2008	87,073	139,911
2009	-	-	615,000	430,744	2009	84,807	145,786
2010	-	-	640,000	403,354	2010	77,982	156,212
2011-2015	-	-	3,625,000	1,534,849	2011-2015	382,589	939,008
2016-2020	-	-	3,900,000	593,919	2016-2020	131,922	694,319
2021	-	-	250,000	12,750			
	<u>\$ 72,687</u>	<u>\$ 8,545</u>	<u>\$ 11,030,000</u>	<u>\$ 4,456,479</u>		<u>\$ 1,427,461</u>	<u>\$ 2,352,236</u>

**Charter Township of Union**  
**Notes to Financial Statements**  
**December 31, 2005**

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**NOTE 7 - NET ASSETS**

The balances of the restricted assets accounts in the Enterprise Funds are as follows:

*Water Fund - Replacement Reserve*

The 1990 Water Fund bond requires a replacement reserve account in the amount of \$120,000 until the bonds are paid in full. This reserve has accumulated in the amount of \$120,000.

*Sewer Fund - Reserve Account*

The 2004 Sewer Fund bond requires a reserve account in the amount of \$223,360 until the bonds are paid in. This reserve has accumulated in the amount of \$223,360

**NOTE 8 - RISK MANAGEMENT**

The Charter Township of Union is a member of a self insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. The purpose of the association is to administer a risk management fund, which protects members with loss protections for general and auto liability, motor vehicle physical damage and property. Contributions are applied to the procurement reinsurance, risk management, underwriting, payment of claims, establishment of loss reserves and other related expenses.

A member's loss contribution account is charged or credited according to the member's actual loss experience; no obligation is credited for another member's losses. If contributions are in excess of actual expenses and reserves, future contributions are decreased. Should any member have more losses paid on their behalf than contributions covering such losses, credit is extended within the association joint loss fund; such a deficit is repaid by the member in future contributions.

**NOTE 9 - EMPLOYEE RETIREMENT PLAN**

The Charter Township of Union participates in a defined contribution plan administered by Manufacturers Life Insurance Company. The plan is available for all Township Officials and employees. The Township is required to contribute 7.5 percent of each participant's annual compensation. Employees are required to contribute 2.5 percent of their annual compensation and additional voluntary contributions to the plan in amounts ranging from 1 to 10 percent of their annual compensation may be made. Contributions are made by employees on an after-tax basis. Upon early retirement or termination of service, other than because of death, disability or normal retirement, benefits in the plan vest immediately at 100%.

For the year ended December 31, 2005 the Township and its employees made required contributions of \$43,283 and \$14,413 respectively.

**NOTE 10 - CONTINGENCIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Litigation – The Charter Township of Union is subject to various legal proceedings arising in the course of providing public services to Township residents. The Township is presently a defendant in several cases. However, in the opinion of management and legal counsel, the Township is sufficiently covered by its liability insurance in those matters for which a monetary value is involved.

**Charter Township of Union**  
**Notes to Financial Statements**  
**December 31, 2005**

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**NOTE 11 – RELATED PARTY TRANSACTIONS**

The Township has entered into various transactions with vendors whose owners or managers are directly related to employees or board members of the Township or its component units. The Township entered into transaction totaling \$123,342 with the Isabella Corporation during the year ended December 31, 2005. The president of the Isabella Corporation is a board member of a component unit of the Township.

The Township also entered into various transactions with the following vendors whose owners or managers are directly related to employees or board members of the Township or its component units: Alwood Landscaping and Nursery, James Alwood, Kastle Construction Co., and Central Concrete Products. The total with each of the vendors ranged between \$361 and \$20,215.

**NOTE 12 – COMMITMENTS**

The Township has a fire protection agreement with the City of Mt. Pleasant in which fire protection services are provided at an agreed upon amount through 2008. Under the agreement the City also provides a fire truck for use by the City. The fund balance as of December 31, 2005 reflects taxes collected in 2005 to pay for fire protection in 2006. Township residents have committed to pay for the fire protection through a tax levy which runs through 2007. Payments due in future years amount to:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2006	\$ 425,050
2007	448,430
2008	473,090

**NOTE 13 – PRIOR PERIOD ADJUSTMENTS**

Beginning net assets of the governmental funds were increased by \$14,454 to correct minor differences in expenses. The beginning net assets of the component units were decreased by \$102,253 to correct interest expense.

**Charter Township of Union**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended December 31, 2005**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 175,600	\$ 175,600	\$ 203,992	\$ 28,392
Other taxes	11,500	11,500	10,481	(1,019)
Penalties and interest	4,025	4,025	3,863	(162)
Administration fee	100,000	107,892	111,922	4,030
Licenses and permits	48,110	48,110	45,072	(3,038)
State revenue sharing	536,000	538,382	540,875	2,493
Interest income	10,000	25,000	25,568	568
Rental income	4,000	4,100	2,600	(1,500)
Other revenue	2,400	7,311	10,523	3,212
Total revenues	891,635	921,920	954,896	32,976
<b>Expenditures</b>				
General government				
Governing board	66,600	122,600	106,412	(16,188)
Superintendent	22,750	42,550	31,047	(11,503)
Supervisor	17,600	23,500	22,108	(1,392)
Clerk	25,300	41,900	32,724	(9,176)
Audit	-	16,000	15,927	(73)
Data processing	-	60,800	44,522	(16,278)
Board of review	2,760	3,510	2,800	(710)
Treasurer	27,435	47,485	39,901	(7,584)
Assessor	-	120,260	107,484	(12,776)
Elections	-	7,700	879	(6,821)
Buildings and grounds	76,817	77,312	51,108	(26,204)
Attorney	-	5,000	2,485	(2,515)
Total general government	239,262	568,617	457,397	(111,220)

**Charter Township of Union**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended December 31, 2005**

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Public safety				
Liquor inspector	-	6,050	5,687	(363)
Public works				
Drains	500	2,500	375	(2,125)
Highways, streets, and bridges	10,250	749,785	86,306	(663,479)
Street lighting	24,000	25,500	21,607	(3,893)
Total public works	34,750	777,785	108,288	(669,497)
Recreation and culture				
Parks and recreation	133,945	138,345	43,167	(95,178)
Other functions				
Insurance and bonds	15,500	16,500	12,621	(3,879)
Capital Outlay	23,383	23,383	23,383	-
Total expenditures	446,840	1,530,680	650,543	(880,137)
Excess of revenues (deficiency) over expenditures	444,795	(608,760)	304,353	913,113
Fund balance - beginning of year	1,493,278	1,493,278	1,493,278	-
Fund balance - end of year	\$ 1,938,073	\$ 884,518	\$ 1,797,631	\$ 913,113



**Charter Township of Union**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Fire Fund**  
**Year Ended December 31, 2005**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 370,000	\$ 370,000	\$ 443,963	\$ 73,963
Interest income	2,500	5,000	4,879	(121)
Other revenue	84,852	84,852	84,835	(17)
	<u>457,352</u>	<u>459,852</u>	<u>533,677</u>	<u>73,825</u>
<b>Expenditures</b>				
Current				
Fire protection	402,990	403,290	407,751	4,461
Debt service				
Principal retirement	21,635	21,635	21,635	-
Interest and fiscal charges	6,442	6,442	5,442	(1,000)
	<u>431,067</u>	<u>431,367</u>	<u>434,828</u>	<u>3,461</u>
Total expenditures				
	<u>431,067</u>	<u>431,367</u>	<u>434,828</u>	<u>3,461</u>
Excess of revenues over expenditures	26,285	28,485	98,849	70,364
Fund balance - beginning of year	<u>531,529</u>	<u>531,529</u>	<u>531,529</u>	<u>-</u>
Fund balance - end of year	<u>\$ 557,814</u>	<u>\$ 560,014</u>	<u>\$ 630,378</u>	<u>\$ 70,364</u>

**Charter Township of Union**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Construction Code Enforcement Fund**  
**Year Ended December 31, 2005**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 70,000	\$ 98,500	\$ 100,579	\$ 2,079
<b>Expenditures</b>				
Current				
Public safety	75,010	107,262	91,142	(16,120)
Planning	-	18,736	13,151	(5,585)
Zoning	-	11,352	4,689	(6,663)
Total expenditures	75,010	137,350	108,982	(28,368)
Excess of revenues (deficiency) over expenditures	(5,010)	(38,850)	(8,403)	30,447
Fund balance - beginning of year	191,918	191,918	191,918	-
Fund balance - end of year	\$ 186,908	\$ 153,068	\$ 183,515	\$ 30,447

**Charter Township of Union**  
**Other Supplemental Information**  
**Schedule of Revenues and Expenditures**  
**General Fund**  
**Years Ended December 31, 2005 and 2004**

	2005	2004	Change	Percentage Change
<b>Revenues</b>				
Taxes	\$ 330,258	\$ 311,432	\$ 18,826	6.04
Licenses and permits	45,072	41,991	3,081	7.34
State revenue sharing	540,875	557,728	(16,853)	(3.02)
Interest and rental income	28,168	8,011	20,157	251.62
Other revenue	10,523	9,000	1,523	16.92
Total revenues	<u>954,896</u>	<u>928,162</u>	<u>26,734</u>	<u>2.88</u>
<b>Expenditures</b>				
General government	457,397	411,691	45,706	11.10
Public safety	5,687	8,331	(2,644)	(31.74)
Public works	108,288	30,567	77,721	254.26
Recreation and culture	43,167	59,097	(15,930)	(26.96)
Other functions	12,621	35	12,586	35,960.00
Capital outlay	23,383	158,108	(134,725)	(85.21)
Total expenditures	<u>650,543</u>	<u>667,829</u>	<u>(17,286)</u>	<u>(2.59)</u>
Excess of revenues over expenditures	<u>\$ 304,353</u>	<u>\$ 260,333</u>	<u>\$ 44,020</u>	<u>16.91</u>

**Charter Township of Union**  
**Other Supplemental Information**  
**Schedule of Revenues and Expenditures**  
**Fire Fund**  
**Years Ended December 31, 2005 and 2004**

	2005	2004	Difference	Percentage Change
<b>Revenues</b>				
Taxes	\$ 443,963	\$ 402,385	\$ 41,578	10.33
Interest income	4,879	1,779	3,100	174.26
Other revenue	84,835	80,096	4,739	5.92
Total revenues	533,677	484,260	49,417	10.20
<b>Expenditures</b>				
Public safety	407,751	381,902	25,849	6.77
Debt service	27,077	27,077	-	-
Total expenditures	434,828	408,979	25,849	6.32
Excess of revenues over expenditures	\$ 98,849	\$ 75,281	\$ 23,568	31.31

**Charter Township of Union**  
**Other Supplemental Information**  
**Schedule of Revenues and Expenditures**  
**Construction Code Enforcement Fund**  
**Years Ended December 31, 2005 and 2004**

	2005	2004	Change	Percentage Change
<b>Revenues</b>				
Licenses and permits	\$ 100,579	\$ 161,656	\$ (61,077)	(37.78)
Transfers in	<u>-</u>	<u>62,000</u>	<u>(62,000)</u>	<u>(100.00)</u>
 Total revenues	 <u>100,579</u>	 <u>223,656</u>	 <u>(123,077)</u>	 <u>(55.03)</u>
<b>Expenditures</b>				
Current				
Public safety	91,142	79,588	11,554	14.52
Planning and zoning	<u>17,840</u>	<u>20,042</u>	<u>(2,202)</u>	<u>(10.99)</u>
 Total expenditures	 <u>108,982</u>	 <u>99,630</u>	 <u>9,352</u>	 <u>9.39</u>
 Excess of revenues (deficiency) over expenditures	 <u>\$ (8,403)</u>	 <u>\$ 124,026</u>	 <u>\$ (132,429)</u>	 <u>(106.78)</u>

**Charter Township of Union**  
**Other Supplemental Information**  
**Component Units**  
**Combined Balance Sheet**  
**December 31, 2005**

	East Downtown Development Authority		West Downtown Development Authority		Debt Service Special Assessment	Total Component Units
	Operating	Debt Service	Operating	Debt Service		
<b>Assets</b>						
Cash and cash equivalents	\$ 314,900	\$ 98,780	\$ 564,557	\$ 46,844	\$ 106,380	\$ 1,131,461
Receivables						
Taxes	2,848	-	18	-	-	2,866
Special assessments	-	-	-	-	348,678	348,678
Prepaid items	1,000	-	1,000	-	-	2,000
Total assets	<u>\$ 318,748</u>	<u>\$ 98,780</u>	<u>\$ 565,575</u>	<u>\$ 46,844</u>	<u>\$ 455,058</u>	<u>\$ 1,485,005</u>
<b>Liabilities</b>						
Accounts payable	\$ 1,044	\$ -	\$ 2,172	\$ -	\$ -	\$ 3,216
Due to other funds	398	-	99	-	-	497
Deferred revenue	95,199	-	51,664	-	316,963	463,826
Total liabilities	<u>96,641</u>	<u>-</u>	<u>53,935</u>	<u>-</u>	<u>316,963</u>	<u>467,539</u>
<b>Fund Balances</b>						
Unreserved	222,107	98,780	511,640	46,844	138,095	1,017,466
Total fund balances	<u>222,107</u>	<u>98,780</u>	<u>511,640</u>	<u>46,844</u>	<u>138,095</u>	<u>1,017,466</u>
Total liabilities and fund balances	<u>\$ 318,748</u>	<u>\$ 98,780</u>	<u>\$ 565,575</u>	<u>\$ 46,844</u>	<u>\$ 455,058</u>	<u>\$ 1,485,005</u>

**Charter Township of Union**  
**Other Supplemental Information**  
**Component Units**  
**Reconciliation of Fund Balances of Governmental Funds**  
**to Net Assets of Governmental Activities**  
**December 31, 2005**

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<b>Total fund balances for governmental funds</b>	\$ 1,017,466
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Total net assets for governmental activities in the statement of net assets is different because:

Property taxes in the DDA are recognized one year after levy	819,971
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(1,410,514)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 426,923</u></u>

**Charter Township of Union**  
**Other Supplemental Information**  
**Component Units**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended December 31, 2005**

	East Downtown Development Authority		West Downtown Development Authority			Total Component Units
	Operating	Debt Service	Operating	Debt Service	Debt Service Special Assessment	
<b>Revenues</b>						
Taxes	\$ 720,132	\$ -	\$ 297,028	\$ -	\$ -	\$ 1,017,160
Special Assessments	-	-	-	-	39,232	39,232
Interest income	1,461	2,467	7,417	995	29,515	41,855
Other revenue	87	-	5	-	-	92
Transfers in	-	363,258	-	145,000	-	508,258
 Total revenues	 721,680	 365,725	 304,450	 145,995	 68,747	 1,606,597
<b>Expenditures</b>						
Current						
Community and economic development	267,191	-	20,870	-	-	288,061
Fire protection	59,827	-	25,000	-	-	84,827
Principal retirement	-	289,196	-	50,211	40,000	379,407
Interest and fiscal charges	-	84,855	-	95,539	31,090	211,484
Transfers out	363,258	-	145,000	-	-	508,258
 Total expenditures	 690,276	 374,051	 190,870	 145,750	 71,090	 1,472,037
 Excess (deficiency) of revenues over expenditu	 31,404	 (8,326)	 113,580	 245	 (2,343)	 134,560
 Fund balance - beginning of year	 190,703	 107,106	 398,060	 46,599	 140,438	 882,906
 Fund balance - end of year	 \$ 222,107	 \$ 98,780	 \$ 511,640	 \$ 46,844	 \$ 138,095	 \$ 1,017,466



**Charter Township of Union**  
**Other Supplemental Information**  
**Component Units**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended December 31, 2005**

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<b>Net change in fund balances - Total governmental funds</b>	<b>\$ 134,560</b>
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Property taxes	(30,906)
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments of long-term debt	379,407
Amortization of issuance costs, premiums, discounts and similar items	(3,498)
Bond Issuance costs	(14,476)
Accrued Interest	<u>(112,180)</u>

<b>Change in net assets of governmental activities</b>	<b><u>\$ 352,907</u></b>
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**Charter Township of Union**  
**Other Supplemental Information**  
**Budgetary Comparison Schedule**  
**Component Unit - East Downtown Development Authority**  
**Year Ended December 31, 2005**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 728,865	\$ 729,115	\$ 720,132	\$ (8,983)
Interest income	2,000	2,000	1,461	(539)
Other revenue	-	88	87	(1)
	<u>730,865</u>	<u>731,203</u>	<u>721,680</u>	<u>(9,523)</u>
<b>Expenditures</b>				
Current				
Community and economic development	472,950	477,290	267,191	(210,099)
Fire protection	59,827	59,827	59,827	-
Transfers out	<u>363,258</u>	<u>363,258</u>	<u>363,258</u>	<u>-</u>
	<u>896,035</u>	<u>900,375</u>	<u>690,276</u>	<u>(210,099)</u>
Excess (deficiency) of revenues over expenditures	(165,170)	(169,172)	31,404	200,576
Fund balance - beginning of year	<u>190,703</u>	<u>190,703</u>	<u>190,703</u>	<u>-</u>
Fund balance - end of year	<u>\$ 25,533</u>	<u>\$ 21,531</u>	<u>\$ 222,107</u>	<u>\$ 200,576</u>

**Charter Township of Union**  
**Other Supplemental Information**  
**Budgetary Comparison Schedule**  
**Component Unit - West Downtown Development Authority**  
**Year Ended December 31, 2005**

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 311,327	\$ 311,377	\$ 297,028	\$ (14,349)
Interest income	2,000	6,500	7,417	917
Other revenue	-	5	5	-
	<u>313,327</u>	<u>317,882</u>	<u>304,450</u>	<u>(13,432)</u>
<b>Expenditures</b>				
Current				
Community and economic development	558,185	558,385	20,870	(537,515)
Fire protection	25,000	25,000	25,000	-
Transfers out	145,000	145,000	145,000	-
	<u>728,185</u>	<u>728,385</u>	<u>190,870</u>	<u>(537,515)</u>
Total expenditures				
	<u>728,185</u>	<u>728,385</u>	<u>190,870</u>	<u>(537,515)</u>
Excess (deficiency) of revenues over expenditures	(414,858)	(410,503)	113,580	524,083
Fund balance - beginning of year	398,060	398,060	398,060	-
Fund balance - end of year	<u>\$ (16,798)</u>	<u>\$ (12,443)</u>	<u>\$ 511,640</u>	<u>\$ 524,083</u>



To The Township Board  
Charter Township of Union  
Isabella County, Michigan

In planning and performing our audit of the financial statements of Charter Township of Union for the year ended December 31, 2005, we considered the Township's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated April 24, 2006, on the financial statements of Charter Township of Union.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Yeo & Yeo, P.C.*

Midland, Michigan  
April 24, 2006

## REVIEW OF SUPPORTING DOCUMENTATION

Invoices are reviewed and approved for payment by two board members; however there is no evidence to indicate that the review took place.

### **Recommendation**

We recommend that the board members continue to review the supporting documentation for agreement of payee, amount and other pertinent information and that person's approval should also be indicated in writing on the supporting documentation.

***This recommendation has been implemented.***

## DISBURSEMENTS

Currently the Treasurer signs all checks, but doesn't match the check to the invoice for amount and payee.

### **Recommendation**

To prevent possible misappropriation of the Township's assets we recommend that the Treasurer agrees the payee and amount listed on the invoice to the same information listed on the check.

## REVIEW OF JOURNAL ENTRIES AND BANK RECONCILIATIONS BY MANAGEMENT

All journal entries are posted by the Superintendent and all bank reconciliation are prepared by the Superintendent as well. There is no independent review of these transactions by the appropriate level of management or a board member.

### **Recommendation**

Journal entries and bank reconciliations should be reviewed monthly by a person independent of the monthly accounting process. This is especially important as the Superintendent is involved in the majority of transactions in the monthly accounting cycle.